

Message Text

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ACTION EB-08

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C O N F I D E N T I A L MOSCOW 03949

E.O.11652:GDS
TAGS: EAIR, US, UR, ESTC, COCOM
SUBJECT: AEROFLOT'S POLICY ON AIR FREIGHT TRANSPORTATION
TO USSR AND CONTROL DATA CORPORATION DIFFICULTIES

REF: MOSCOW 3356

1. REPRESENTATIVE OF KUEHNE AND NAGEL, A WEST GERMAN
TRANSPORTATION FIRM HANDLING THE TRANSPORTATION OF CONTROL
DATA CORPORATION'S CYBER 172 COMPUTER TO YUZHNO SAKHALINSK,
PROVIDED EMBASSY OFFICER FURTHER DETAILS MARCH 7 ON
AEROFLOT'S POLICY, REPORTED IN REFTEL. ACCORDING TO HIM,
AEROFLOT INSISTS ON TRANSPORTING THE EQUIPMENT AND ALL
FUTURE SHIPMENTS IN THE SOVIET UNION, WITH THE EXCEPTION
THAT WESTERN AIR COMPANIES WILL BE ABLE TO DELIVER
SHIPMENTS TO MOSCOW. AEROFLOT BASES ITS ASSERTION OF
MONOPOLY OVER SHIPMENT TO OTHER POSTS THAN MOSCOW ON THE
FACT THAT IT NOW POSSESSES ONE REPEAT ONE IL 76T
TRANSPORT PLANE, WHICH IT CLAIMS HAS THE TECHNICAL SPECIF-
ICATIONS, LIKE AIRCONDITIONING AND PRESSURE CONTROL, TO
TRANSPORT SUCH EQUIPMENT UNDAMAGED. IN THIS PARTICULAR
CASE, AEROFLOT PROPOSES TO PICK UP THE CYBER 172 IN
OAKLAND, CALIFORNIA.

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2. THE SITUATION CREATES A NUMBER OF PROBLEMS. AS
REPORTED IN REFTEL, CDC PREFERS TO USE ALASKAN AIR. CDC
DOES NOT TRUST THE TECHNICAL ABILITY OF THE IL 76 TO
TRANSPORT THE EQUIPMENT UNDAMAGED AND ALASKAN AIR WILL
CARRY THE EQUIPMENT FOR A PRICE APPROXIMATELY ONE HALF OF
AEROFLOT'S PROPOSED RATE. FURTHERMORE, SINCE THE CONTRACT

SPECIFIED CIF TERMS, CDC WOULD RISK FINANCIAL LOSS BOTH WERE THE EQUIPMENT TO ARRIVE DAMAGED AND WERE IT TO PAY AEROFLOT'S HIGHER RATE. AEROFLOT HAS MADE ITS PROPOSAL CONTINGENT UPON RECEIPT OF FLIGHT CLEARANCE FOR OAKLAND CALIFORNIA FROM THE UNITED STATES GOVERNMENT. FINALLY, THE AEROFLOT INSISTENCE HAS MADE TENUOUS PLANS TO SHIP THE EQUIPMENT BY CDC APRIL 15 (RATHER THAN APRIL 10), AS REPORTED IN REFTEL). AEROFLOT HAS STATED THAT, SINCE IT HAS ONLY ONE IL76T AVAILABLE, IT NEEDS A MONTHS ADVANCE NOTICE TO RESERVE THE AIRCRAFT. WERE CDC TO INSIST ON ALASKAN AIR, IT MIGHT VERY WELL RECEIVE NOTICE OF FLIGHT CLEARANCE REJECTION TOO LATE TO ACCEPT THE AEROFLOT OFFER.

3. WE CAN WELL UNDERSTAND WHY CDC WISHES TO SHIP THE CYBER 172 BY ALASKAN AIR. THE CONTRACT SPECIFIES CIF TERMS, SO THAT ULTIMATELY CDC, RATHER THAN AEROFLOT RISKS SUFFERING FINANCIAL LOSS, IF THE EQUIPMENT ARRIVES DAMAGED OR IF CDC MUST PAY HIGHER TRANSPORTATION COSTS. FURTHERMORE, WE VIEW AEROFLOT'S INSISTENCE AS ANOTHER CASE OF SOVIET ATTEMPTS TO GAIN HARD CURRENCY FROM BILATERAL TRANSPORTATION, BY ANY MEANS POSSIBLE. IN THESE CASES, THE SOVIET FOREIGN TRADE ORGANIZATION SPECIFIED CIF TERMS, AND PUTS THE FOREIGN COMPANY IN THE POSITION OF HAVING TO PAY HIGHER TRANSPORT COSTS IF SOVIET TRANSPORTATION IS UTILIZED. IN THIS CASE, WE BELIEVE THAT CDC HAS THE

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LEVERAGE TO INSIST ON ALASKAN AIR, SINCE, PRESUMABLY, THE SOVIETS WANT THE EQUIPMENT BADLY (IT WAS SUPPOSED TO HAVE BEEN DELIVERED IN 1977).

4. COMMENT: ON MARCH 3 WE SENT A LETTER TO MFA ASKING IF IT WOULD GRANT CLEARANCE FOR LANDING OF US COMMERCIAL AIRCRAFT ON SAKHALIN, NOTING THAT ASSURANCE OF CLEARANCE WELL IN ADVANCE IS REQUIRED BECAUSE OF TECHNICAL NATURE OF FLIGHT. WE HAVE HAD NO REPLY TO DATE. IF AEROFLOT AND MINISTRY OF CIVIL AVIATION HAVE THEIR WAY, AND FLIGHT IS REJECTED, CDC WILL BE OBLIGED TO DECIDE WHETHER TO ARRANGE MORE COSTLY SHIPMENT THROUGH MOSCOW; (B) TO ASK FOR AEROFLOT SHIPMENT FROM OAKLAND OR (C) RECONSIDER WHOLE TRANSACTION. WE WOULD APPRECIATE DEPARTMENT'S VIEWS ON THIS ISSUE. WE COULD, OF COURSE, ADD A FOURTH OPTION, THAT OF ASKING MFA TO RECONSIDER REJECTION OF CLEARANCE OF THIS FLIGHT ON GROUNDS OF SETTING AN UNFORTUNATE PRECEDENT FOR FUTURE US-SOVIET COLLABORATION IN DEVELOPMENT OF SOVIET FAR EASTERN REGION.

5. THE EMBASSY WOULD ALSO APPRECIATE KNOWING WHETHER DEPARTMENT IS AWARE OF ANY PRECEDENTS WHERE SOVIET

GOVERNMENT APPROVED OVERFLIGHT CLEARANCE TO PLACE BESIDE
MOSCOW IN SIMILAR SITUATION. TOON

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